



Issue Date	August 31, 2010
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Audit Report Number	2010-LA-1015
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TO: Stephen Schneller, Director, San Francisco Office of Public Housing, 9APH

Tanya E. Schulze

FROM: Tanya E. Schulze, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: The Housing Authority of the City and County of San Francisco, CA, Did Not Effectively Operate Its Housing Choice Voucher Housing Quality Standards Inspections

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the City and County of San Francisco's (Authority) Section 8 housing quality standards inspections of Housing Choice Voucher program (voucher)-funded housing units. We performed the audit of the Authority's inspection practices due to its low Section 8 Management Assessment Program scores, which include housing quality standards inspections, for which it had received a score of zero in recent years. The objective of the audit was to determine whether the Authority conducted its housing quality standards inspections in accordance with U.S. Department of Housing and Urban Development (HUD) rules and regulations.

What We Found

The Authority did not conduct its housing quality standards inspections of voucher-funded housing units in accordance with HUD rules and regulations. Of the 65 housing units statistically selected for inspection, 58 did not meet housing quality standards, and 46 of those units had material deficiencies. Based on our sample, we estimate that over

the next year, HUD will pay more than \$11.4 million in housing assistance for housing units with material housing quality standards deficiencies.

What We Recommend

We recommend that the Director of HUD's San Francisco Office of Public Housing require the Authority to

- Repay HUD \$279,136 in expended housing assistance payments for housing units that were deemed materially deficient;
- Establish and implement policies, procedures, and controls regarding its inspection process to prevent more than \$11.4 million in HUD funds from being spent on housing units with material housing quality standards deficiencies; and
- Verify that the applicable owners have taken appropriate corrective action regarding the housing quality standards deficiencies identified during our inspections or take enforcement action.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided a draft report on August 5, 2010, and held an exit conference with Authority officials on August 13, 2010. The Authority provided its written comments on August 20, 2010. It generally agreed with our report.

The complete text of the Authority's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The Housing Authority of the City and County of San Francisco (Authority) is a public body organized in 1938 under the laws of the State of California for the purpose of engaging in the development, acquisition, leasing, and administration of low-cost housing for individuals meeting criteria established by the U.S. Department of Housing and Urban Development (HUD). The Authority is the oldest housing authority in California and the 17th largest public housing agency in the country. The mission of the Authority is to provide safe, sanitary, affordable, and decent housing to very low-income families, senior citizens, and persons with disabilities. The governing body is its board of commissioners, composed of seven members appointed by the mayor of the City and County of San Francisco (City and County). The mayor has the authority to appoint the board but not to remove members from office. The board of commissioners appoints an executive director to lead the Authority's workforce of more than 358 employees in various executive, administrative, and craft occupations. In addition, the Authority is fiscally independent of the City and County and is not considered a component unit of the City and County as the board independently oversees the Authority's operations.

In 2009, the Authority owned at least 6,262 public housing units, of which at least 2,027 were designated for senior/disabled tenants. It also administered at least 7,409 housing choice vouchers, also known as Section 8 vouchers, and at least 2,521 other federally subsidized housing assistance vouchers. In 2009, the Authority received more than \$90 million in voucher funding to provide housing assistance to eligible participants seeking affordable housing.

The objective of the audit was to determine whether the Authority conducted its housing quality standards inspections in accordance with HUD rules and regulations.

RESULTS OF AUDIT

Finding: Voucher-Funded Housing Units Did Not Meet Housing Quality Standards

The Authority did not ensure that its inspection of Housing Choice Voucher program (voucher)-funded housing units met HUD's housing quality standards. This condition was due to a lack of management oversight. There were also inadequate policies, procedures, and controls to ensure that all voucher-funded housing units met HUD's housing quality standards. As a result, more than \$279,000 in program funds was spent on housing units that were not decent, safe, and sanitary. In addition, the Authority spent more than \$39,000 in program funds on housing units that lacked the required inspection reports, showing that inspections had been conducted. Based on our statistical sample, we estimate that over the next year, if the Authority does not improve its inspection policies, procedures, and controls, HUD will pay more than \$11.4 million in housing assistance on housing units with material housing quality standards deficiencies.

HUD's Housing Quality Standards Not Met

From the 1,255 housing units inspected and passed by the Authority from September 1 through November 30, 2009, we statistically selected 65 units for inspection by using data mining software. We inspected the 65 units to determine whether the voucher-funded housing units complied with HUD's rules and regulations. Our inspections took place between January 25 and April 23, 2010.

Of the 65 housing units inspected, 58 (89 percent) had 516 housing quality standards deficiencies, including 352 deficiencies that predated the Authority's previous inspections. Of the 58 units that failed our inspection, 46 had 341 deficiencies considered materially noncompliant with HUD's rules and regulations. Each materially deficient housing unit had health and safety deficiencies, with more than two deficiencies that predated the Authority's previous inspections and/or at least one deficiency that would have affected household members in the following categories:

- Seniors over the age of 65,
- Disabled (regardless of age), and
- Children under the age of 12.

As a result, the Authority spent \$279,136 in housing assistance payments on 46 units that were materially deficient and failed to comply with HUD's rules and regulations. Appendix C details the complete list of associated incurred ineligible costs.

The following table categorizes the 10 most common types of deficiencies found among the 58 housing units. Appendix D details the complete list of deficiencies found during our inspections.

Categories of deficiencies	Number of deficiencies	Number of housing units affected
Electrical hazards	108	45
Window conditions	46	28
Water heaters	31	21
Security	31	21
Smoke detectors	30	23
Safety of heating equipment	29	19
Garbage and debris	26	18
Stove or range with oven	22	14
Wall conditions	18	13
Electricity	18	8

Appendix E details the results of our inspections and the issues found in each of the housing units.

Types of Deficiencies

The following are examples of some of the types of deficiencies found during our inspections.

Electrical Hazards

We identified 108 electrical deficiencies in 45 housing units inspected. Examples of electrical deficiencies included inoperative or missing ground fault circuit interrupters (GFCI) in updated or remodeled bathrooms and kitchens, reversed polarity in electrical outlets, and exposed wiring. The following pictures are examples of electrical deficiencies found in the housing units inspected.



Missing GFCI outlet in updated bathroom of housing unit.



Reversed electrical polarity throughout housing unit posing potential safety hazards for occupant using electrical items such as oxygen machine.

Window Conditions

We identified 46 window condition deficiencies in 28 housing units inspected. Examples of these deficiencies included windows with missing locks, windows painted shut, and windows that did not lock properly. The following pictures are examples of window condition deficiencies found in the housing units inspected.



Exposed insulation at top of window.



Affixed window side safety lock not removable hindering tenant's ability to access the adjacent fire escape in the event of an emergency.

Water Heaters

We identified 31 water heater deficiencies in 21 housing units inspected. Examples of these deficiencies included missing required earthquake straps, improperly blocked pressure relief valve discharge, gas valves painted shut hampering an individual's ability to easily turn on and off the gas in the event of an emergency, and the accumulation of personal items within close proximity of the water heater. The following pictures are examples of water heater deficiencies found in the housing units inspected.



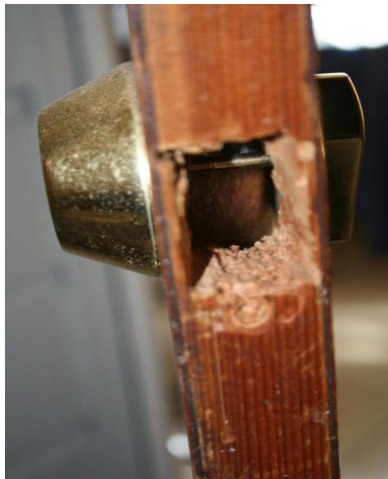
Water heater with improperly blocked pressure relief valve.



Gas valve painted shut hampering the ability to open/close in the event of emergencies.

Security

We identified 31 security deficiencies in 21 housing units inspected. Examples of these deficiencies included a fully exposed rear entry that allowed tenants from the lower and upper housing units to freely enter the second floor tenant's housing unit, improper hollow door used as a main entry to the housing unit, and missing door striker. The following pictures are examples of security deficiencies found in the housing units inspected.



Missing door striker to rear entrance of housing unit.



Missing door to abandoned room located adjacent to occupied housing unit resulting in potential fire and safety hazard.

Inadequate Policies, Procedures, and Controls

Written Inspection Policies and Procedures Lacking

The Authority did not have established written policies and procedures for inspectors to use when conducting inspections to ensure that housing units met required housing

quality standards. There was a HUD-approved Section 8 voucher administrative plan with information on housing quality standards inspections; however, Authority management acknowledged that there were no formal policies and procedures in place for conducting inspections of voucher-funded housing units. The lack of formal policies and procedures resulted in a lack of consistency and compliance in conducting housing quality standards inspections.

Written Quality Control Policies and Procedures Lacking

The Authority did not have established written quality control policies and procedures in place when conducting quality control reviews of its housing quality standards inspections. Authority management acknowledged that there were no formal policies and procedures in place. The lack of written policies and procedures resulted in the Authority's not conducting quality control reviews as required by HUD. This condition was evident during our review of 11 previous quality control housing quality standards inspections to determine whether the Authority had conducted its reviews in accordance with HUD rules and regulations. All 11 of the housing unit inspections that the Authority conducted quality control reviews had failed our quality control inspections, with more than 90 deficiencies identified. Eight of these housing units were materially deficient. Five of the reviews were classified as "no shows" in which tenants were unavailable for their scheduled inspections. However, there was no documentation to show that the Authority conducted follow-up reviews.

Unreliable Inspection and Quality Control Data

We were not able to determine the data reliability between the Authority's housing quality standards inspections and quality control inspections database and the respective housing quality standards inspections and quality control inspection reports. The database was not consistent with individual inspection reports and quality control reports. For example, the Authority's database had at least 95 housing units with inspection dates more than one year old. Management stated that the inspections were conducted but the data were not entered into its computer system. We reviewed 10 of the 95 inspections to verify management's statement that the inspections in question were conducted. The Authority could not provide us four of the requested inspection reports, while the remaining six reports showed inspections were conducted. However, the six inspection reports showed dates that were different than shown in the database.

The Authority also did not maintain accurate and complete quality control records. Specifically, we requested the quality control log for the period October 1, 2008, to December 31, 2009. However, the Authority was only able to provide us with records for October 1 to November 30, 2008, and February 1 to September 30, 2009. The Authority acknowledged that it could not find the requested documents.

Missing Inspection Reports

The Authority was unable to provide the most recent 2009 inspection reports for 31 of the 65 (48 percent) housing units. As a result, we were unable to determine whether it had conducted inspections of the 31 units. In addition, we were unable to determine whether it had conducted inspections of these housing units within HUD's required period of 1 year after the previous inspection of the housing units. The Authority acknowledged that it could not find the requested inspection reports. HUD requires completed and documented inspections of all voucher-funded housing units during initial move-ins, as well as on an annual basis afterward. The Authority incurred \$39,018 in unsupported costs for 7 of the 31 housing units' missing inspection reports.

Appendix F details the complete list of unsupported costs spent on the seven housing units that were missing inspection reports. The remaining 24 housing units were considered materially deficient and were determined to be ineligible housing that was not safe, decent, and sanitary. Appendix C details the complete list of ineligible costs for the 46 housing units that were materially deficient and failed our inspections.

Late Inspections of Housing Units

Of the 65 statistically sampled housing quality standards inspections, 13 (20 percent) were not conducted within HUD's required period of one year after the previous inspections. For example, the Authority did not conduct its most recent annual inspection of a housing unit until 401 days after the previous annual inspection. Therefore, the Authority was 36 days late (401 actual inspection days minus 365 days required by HUD) in conducting its required annual inspection of the housing unit. Inspections of voucher-funded housing units must be conducted within the required period to ensure timely processing and payment of housing assistance. The Authority must conduct its inspection within one year of the housing unit's previous inspection to ensure compliance with HUD's rules and regulations.

Acknowledgement of Problems

The Authority acknowledged problems associated with its housing quality standards inspections. It stated that its inspection department was "self-managed" without requirements or controls. Further, it stated that the prior program manager in charge of the inspections was part of the problem. Authority management also stated that the department was not well managed, without tools, policies, procedures, controls, or oversight in place to ensure that housing quality standards inspections complied with HUD rules and regulations. The Authority also acknowledged that before January 2010, "Section 8 and inspections were not a priority," as it was focusing on other matters such as settling multiple lawsuits and improving its public housing department. Since January 2010, it had begun implementing corrective actions toward improving the inspections department. The corrective actions included the hiring of a new program manager; the drafting and implementation of new policies, procedures, and controls for conducting inspections and quality control reviews; addressing the deficiencies identified during our

inspections; and conducting inspections training in the areas of local building codes and housing quality standards compliance. It should be noted that these corrective actions did not occur until we brought these problems to the Authority's attention.

Conclusion

The housing quality standards deficiencies existed because the Authority failed to exercise proper supervision and oversight of its housing unit inspections. It also lacked adequate policies, procedures, and controls to ensure that its housing unit inspections complied with HUD's rules and regulations. The Authority's failure to comply with HUD's rules and regulations placed tenants as well as HUD funds at significant financial and legal risk. In addition, tenants residing in these housing units were subjected to potential health- and safety-related deficiencies, and the Authority did not properly use its program funds when it failed to ensure that housing units complied with HUD rules and regulations. If the Authority implements adequate policies, procedures, and controls regarding its housing unit inspections to ensure compliance with HUD's rules and regulations, we estimate that more than \$11.4 million in future housing assistance payments will be spent on housing units that are decent, safe, and sanitary. Our calculation for this estimate is explained in the Scope and Methodology section of this report.

Recommendations

We recommend that the Director of HUD's San Francisco Office of Public Housing require the Authority to

- 1A. Certify that the applicable property owners have taken appropriate corrective action for the housing quality standards deficiencies identified during our inspections or take enforcement action. If appropriate actions are not taken, the Authority should abate the rents or terminate the housing assistance payments contracts with the noncompliant property owners.
- 1B. Repay HUD \$279,136 from non-Federal funds for the 46 housing units that materially failed to comply with HUD's rules and regulations.
- 1C. Provide support, in the form of an inspection report, showing that it conducted inspections for the seven housing units with missing inspection reports or repay HUD \$39,018 from non-Federal funds.
- 1D. Ensure that all inspections and quality control reviews are conducted and completed within the required period in accordance with HUD rules and regulations. These inspections and quality control reviews should be accurate, complete, and documented in accordance with HUD rules and regulations.

- 1E. Establish and implement an adequate record-keeping system for all inspections and quality control reviews to ensure accurate, consistent, and complete documentation in accordance with HUD rules and regulations.
- 1F. Establish and implement adequate written policies, procedures, and controls regarding its inspections to ensure that all housing units comply with applicable HUD rules and regulations and ensure that inspectors follow the same process for all types of inspections to prevent more than \$11,420,400 in program funds from being spent on housing units that are in material noncompliance with the HUD rules and regulations.
- 1G. Establish and implement adequate written policies, procedures, and controls regarding its quality control, including but not limited to proper follow-up procedures for failed quality control inspections and written guidelines for corrective action for inspectors who repeatedly overlook deficiencies.
- 1H. Ensure that all inspections personnel have the necessary training, knowledge, and equipment to ensure that inspections and quality control reviews are conducted in accordance with HUD rules and regulations.
- 1I. Seek technical assistance from HUD's San Francisco Office of Public Housing in addressing the above-mentioned recommendations and ensuring compliance with HUD rules and regulations.

SCOPE AND METHODOLOGY

We performed onsite work at the Authority's main office at 440 Turk Street, San Francisco, CA, from December 1, 2009, to April 23, 2010. We reviewed the Authority's Section 8 housing quality standards inspections of voucher-funded housing units during the period October 1, 2008, to November 30, 2009, and expanded to other periods as needed.

To accomplish the audit objective, we

- Reviewed applicable HUD rules, regulations, and guidance.
- Obtained relevant background information pertaining to the Authority.
- Reviewed Authority policies and procedures related to housing quality standards inspections.
- Interviewed relevant Authority and HUD personnel.
- Reviewed relevant HUD monitoring/reporting records.
- Conducted onsite reviews of statistically selected housing units.

We statistically selected 65 of the Authority's HUD voucher-funded housing units to inspect from the 1,255 housing units inspected and passed from September 1 through November 30, 2009. We used data mining software to obtain our sample. The 65 housing units were selected to determine whether voucher-funded housing units met HUD's housing quality standards. Our sampling criteria used a 90 percent confidence level with a 50 percent estimated error rate and precision level of plus or minus 10 percent.

Our sampling results determined that 45 of the 65 housing units (71 percent) materially failed to meet HUD's housing quality standards. Materially failed housing units were those considered to have health and safety deficiencies with more than two deficiencies that predated the Authority's previous inspections and/or at least one deficiency that would have affected household members in the following categories:

- Seniors over the age of 65,
- Disabled (regardless of age), and
- Children under the age of 12.

Based on data provided by the Authority, the average monthly housing assistance payment for 1,255 housing units was \$1,228 (\$18,498,060 yearly housing assistance payments divided by 15,060 housing units (1,255 housing units times 12 months)). Projecting our sampling results of the 65 housing units that materially failed to meet HUD's housing quality standards to the population indicated that 888 housing units or 70.77 percent of the population contained the attributes tested (would materially fail to meet HUD's housing quality standards). The sampling error was plus or minus 9.01 percent. Therefore, we are 90 percent confident that the frequency of occurrence of the attributes tested lies between 61.76 and 79.78 percent of the population. This frequency equated to an occurrence of between 775 and 1,001 of the 1,255 housing units in the population.

- The lower limit is 61.76 percent times 1,255 housing units equals 775 housing units that materially failed to meet HUD's housing quality standards.
- The point estimate is 70.77 percent times 1,255 housing units equals 888 housing units that materially failed to meet HUD's housing quality standards.
- The upper limit is 79.78 percent times 1,255 housing units equals 1,001 housing units that materially failed to meet HUD's housing quality standards.

Using the lower limit of the estimate of the number of housing units and the average housing assistance payment, we estimated that the Authority would annually spend \$11,420,400 (775 housing units times \$1,228 monthly average payment times 12 months) for housing units that materially failed to meet HUD's housing quality standards. This estimate was presented solely to demonstrate the annual amount of program funds that could be put to better use for decent, safe, and sanitary housing if the Authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is a process adapted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of program fund reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of operations – Policies, procedures, and controls that management has implemented to reasonably ensure effective and efficient operations of its housing quality standards inspections.
- Reliability of program fund reporting – Policies, procedures, and controls that management has implemented to reasonably ensure that valid and reliable program fund reporting is obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Authority lacked policies, procedures, and controls to ensure that housing quality standards inspections were conducted in compliance with HUD rules and regulations (see finding).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1B	\$279,136		
1C		\$39,018	
1F			\$11,420,400
Totals	\$279,136	\$39,018	\$11,420,400

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believed was not allowed by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or classification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendations, it will cease to incur program costs for housing units that are not decent, safe, and sanitary. Instead, it will expend those funds for housing units that meet HUD's standards. Once the Authority successfully improves its controls, this will be a recurring benefit. To be conservative, our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



SAN FRANCISCO HOUSING AUTHORITY

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August 20, 2010

Tanya Schulze
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Audit Report 2010- San Francisco Housing Authority Housing Choice Voucher Housing Quality Standards Inspections

Dear Ms. Schulze,

This letter is the response to the audit report for The San Francisco Housing Authority's (SFHA) Housing Choice Voucher (HCV) Housing Quality Standards (HQS) unit. As indicated in your report, HUD OIG generated this audit due to low scores in the Section Eight Management Assessment Program (SEMAP).

We have reviewed the finding and recommendations outlined in your report. Contained herein is our response to those findings and recommendations.

As we indicated in our August 13, 2010 exit conference, we are in general agreement with most of your findings and recommendations. Furthermore, we feel that it is important to restate that considerable time and effort have been dedicated to eliminating the program deficiencies that were referenced in the audit.

Thus, we will discuss those areas of performance on which we are currently concentrating our efforts with the goal of achieving immediate and sustained improvement. This will be done in the context of responding to your findings and recommendations.

A. Response to OIG Finding

OIG FINDING: VOUCHER-FUNDED HOUSING UNITS DID NOT MEET HOUSING QUALITY STANDARDS. *The Authority did not ensure that its inspection of Housing Choice Voucher program (voucher)-funded housing units met HUD's housing quality standards. This condition was due to a lack of management oversight. There were also inadequate policies, procedures, and controls to ensure that all voucher-funded housing units met HUD's housing quality standards. As a result, more than \$279,000 in program funds was spent on housing units that were not decent, safe, and sanitary. In addition, the Authority spent more than \$39,000 in program funds on housing units that lacked the required inspection reports, showing that inspections had been conducted. Based on our statistical sample, we estimate that over the next year, if the Authority does not improve its inspections policies, procedures and controls, HUD*

COMMENT 1

will pay more than \$11.4 million in housing assistance on housing units with material housing quality standards deficiencies.

SFHA Response: SFHA acknowledges that a significant number of inspections did identify deficiencies, and that adequate management oversight, policies, procedures and controls would have helped to ensure that our voucher-funded housing units met HUD's housing quality standards. Thus, below are our responses as to how we will begin, or how we have already started, to implement your recommendations to improve our operation.

B. Response to OIG Recommendations

RECOMMENDATION 1A: *Certify that the applicable property owners have taken appropriate corrective action for the housing quality standards deficiencies identified during our inspections or take enforcement action. If appropriate actions are not taken, the Authority should abate the rents or terminate the housing assistance payments contracts with the noncompliant property owner.*

SFHA's Response to Recommendation 1A:

- SFHA has recently purchased a new software inspection module to work with our existing database system. It has the ability to monitor, track and retain historical information for appropriate corrective action with property owners.
- HUD form 52580 has been incorporated into the electronic software system, for monitoring enforcement activity; program compliance, abatement or termination with noncompliant property owners.
- SFHA has implemented enforcement actions according to HUD HQS 24CFR 982.404(a) procedures.
- SFHA has implemented as of this audit, 24 Hours Emergency Inspection, routine inspections 30 days according to CFR 982.404(a).
- **FAILED OIG INSPECTION FOLLOW-UP:** SFHA has re-inspected all 65 units inspected by the OIG. The results of those re-inspections are as follows. The supporting documentation is available upon request:

Total units inspected by OIG: 65
HQS Standards not met: 58
Material Deficiencies: 46
Passed OIG Re-inspections conducted by SFHA: 65
Abatement Action: N/A
Termination: N/A

COMMENT 2

RECOMMENDATION 1B. *Repay HUD \$279,136 from non-Federal funds for the 46 housing units that materially failed to comply with HUD's rules and regulations.*

SFHA's Response to Recommendation 1B:

- While SFHA acknowledges the material deficiencies identified, and the need for continued and sustained improvement, we believe that having to repay \$279,136 would impair our ability to fix the problems identified in the audit. Instead of returning these funds, we ask that we be allowed to use the money to continue train staff and management as well as implement the necessary policies and procedures.

COMMENT 3

RECOMMENDATION 1C. *Provide support, in form of an inspection report, showing that it conducted inspections for the seven housing units with missing inspection reports or repay HUD \$39,018 from non-Federal funds.*

SFHA's Response to Recommendation 1C

- SFHA will make a final effort to locate the inspection reports. If such reports cannot be located, we ask that instead of having to refund the \$39,018, we be allowed to use that money to continue train staff and management as well as implement the necessary policies and procedures.

RECOMMENDATION 1D. *Ensure that all inspections and quality control reviews are conducted and completed within the required period in accordance with HUD rules and regulations. These inspections and quality control review should be accurate, complete, and documented in accordance with HUD rules and regulations.*

SFHA's Response to Recommendation 1D

- SFHA has recently purchased a new inspection software module which has the capabilities to ensure that all inspections and quality control reviews are conducted and completed within the required period in accordance with HUD rules and regulations.
- The new inspection software module will generate and track inspections and quality control reviews.
- Implementation of the new handheld PCs will include the online use and real time availability of the HUD form 52580 and quality control correspondence forwarded to both owner and client for inspection and notification program requirements.
- Quality controls procedures have been implemented as of this audit.
- HQS inspection procedures have been implemented as of this audit.
- Monthly reports are run to ensure appropriate follow-up and track HQS deficiencies
- Staff training is provided within SFHA for inspections and quality control reviews are conducted within the required period in accordance with HUD rules and regulations.

RECOMMENDATION 1E. *Establish and implement an adequate record-keeping system for all inspections and quality control reviews to ensure accurate, consistent, and complete documentation in accordance with HUD rules and regulations.*

SFHA's Response to Recommendation 1E

- SFHA has recently purchased a new inspection software module which will provide an electronic record-keeping system for all inspections.
- SFHA has established with the recently purchased new electronic inspection software module the ability to ensure an accurate, consistent and complete documentation in accordance with HUD CFR982.158.

RECOMMENDATION 1F. *Establish and implement adequate written policies, procedures, and controls regarding its inspections to ensure that all housing units comply with applicable HUD rules and regulations and ensure that inspectors follow the same process for all types of inspections to prevent more than 1,420,400 in program funds from being spent on housing units that are material noncompliance with the HUD rules and regulations.*

SFHA's Response to Recommendation 1F

- Modification of written procedures and internal controls will include the development of performance standards, employee evaluations, current job descriptions, staff training in HUD HQS rules and regulations.

RECOMMENDATION 1G. *Establish and implement adequate written policies, procedures, and controls regarding its quality control, including but not limited to proper follow-up procedures for failed quality control inspections and written guidelines for corrective action for inspectors who repeatedly overlook deficiencies.*

SFHA's Response to Recommendation 1G

- SFHA will implement or modify written policies and procedures and controls regarding its quality control procedures, electronic monitoring and compliance.

RECOMMENDATION 1H. *Ensure that all inspections personnel have the necessary training, knowledge, and equipment to ensure that inspections and quality control reviews are conducted in accordance with HUD rules and regulations.*

SFHA's Response to Recommendation 1H

- Staff training has been implemented as of this audit; additional staff training has been conducted in Nan McKay Housing Quality Standards training.
- Staff training has been implemented as of this audit, additional staff training has been conducted in Go Section 8 Rent Reasonableness, PHAMS rent reasonableness, industry standards, HQS, local building codes, field case study reviews (group site inspection) HQS interpretation and uniformity in HUD HQS rules and regulations.

- Field equipment has been provided, as of this audit to housing inspectors to ensure necessary field equipment that inspections are conducted in accordance with HUD rules and regulations.
- On-going staff training in utilization of written policies, procedures and HUD HQS rules and regulations.

RECOMMENDATION II. *Seek technical assistance from HUD's San Francisco Office of Public Housing in addressing the above-mentioned recommendations and ensuring compliance with HUD rules and regulations.*

SFHA's Response to Recommendation II:

- SFHA encourages the improved communications and technical assistance from HUD's San Francisco Office of Public Housing in addressing current and projected HUD HQS compliance issues.
- Technical assistance, clarification and interpretation will be engaged and encouraged between both agencies; the Housing Authority and HUD's San Francisco Office of Public Housing, ensuring compliance with HUD rules and regulations.

Thank you for your time and effort spent on this audit. If you have any questions, please contact me at (415) 715-3122, or Nicole McCray Dickerson, Section 8 Director, at (415) 715-3283.

Sincerely,



Henry A. Alvarez III
Executive Director
San Francisco Housing Authority

OIG Evaluation of Auditee Comments

- Comment 1** We acknowledge the Authority's agreement with the finding and efforts to implement corrective action. We appreciate their time and resources devoted to eliminating the deficiencies noted in our report.
- Comment 2** Based on the significant material deficiencies found during our audit, we believe that it is appropriate that the Authority should repay HUD the funds paid for housing units that were not in compliance with HUD rules and regulations. As stated in 24 CFR 982.305(a), the Authority may not give approval for the family of the assisted tenancy or approve a housing assistance contract until the authority has determined that the following requirements are met: (1) the housing unit is eligible, (2) the unit has been inspected by the housing authority and meets HUD's housing quality standards, and (3) the rent to the owner is reasonable. In addition, 24 CFR 982.401(a)(3) requires all program-funded housing units to meet the housing quality standards both at commencement of assisted occupancy and throughout the assisted tenancy. This was not the case for the 46 housing units that the Authority paid \$279,136 in housing assistance payments to landlords participating in the housing choice voucher program. As stated in the report, the Authority's failure to inspect the housing units in accordance with HUD rules and regulations did not ensure that tenants resided in safe, decent and sanitary living conditions. Nevertheless, this is our recommendation to HUD and can be further addressed during the audit resolution process.
- Comment 3** We believe that it is appropriate that the Authority should address recommendation 1C accordingly or repay HUD the \$39,018 in housing assistance payments for failing to maintain accurate and complete records of its housing quality standards inspections. As part of the consolidated annual contributions contract with HUD, the Authority must maintain complete and accurate books of account and records for its housing choice voucher program. In addition, the inspection reports are an important document for tracking the inspection results of voucher-funded housing units during the initial move-ins, as well as on an annual basis afterward. Without these documents, there is no assurance that the Authority conducted the required inspections of the voucher-funded housing units. Nevertheless, this is our recommendation to HUD and can be further addressed during the audit resolution process.

Appendix C

SCHEDULE OF INELIGIBLE HOUSING UNITS

Housing unit number	Authority inspection date	OIG inspection date	Period elapsed between Authority's inspection and OIG's inspection (in months) (a)	Monthly housing assistance payment (b)	Total (a) times (b)
1	September 16, 2009	March 31, 2010	6	\$2,130.00	\$12,780.00
2	September 25, 2009	January 27, 2010	4	\$1,727.00	\$6,908.00
3	October 9, 2009	March 30, 2010	5	\$1,103.00	\$5,515.00
4	November 3, 2009	March 22, 2010	4	\$174.00	\$696.00
5	September 3, 2009	April 1, 2010	6	\$1,706.00	\$10,236.00
6	November 4, 2009	March 29, 2010	4	\$1,027.00	\$4,108.00
7	October 20, 2009	March 25, 2010	5	\$1,066.00	\$5,330.00
8	October 22, 2009	April 2, 2010	5	\$1,876.00	\$9,380.00
9	November 13, 2009	March 31, 2010	4	\$860.00	\$3,440.00
10	October 13, 2009	March 25, 2010	5	\$1,798.00	\$8,990.00
11	November 6, 2009	March 25, 2010	4	\$1,212.00	\$4,848.00
12	October 9, 2009	April 1, 2010	5	\$1,948.00	\$9,740.00
13	November 23, 2009	January 27, 2010	2	\$1,738.00	\$3,476.00
14	September 3, 2009	April 1, 2010	6	\$1,627.00	\$9,762.00
15	October 7, 2009	April 5, 2010	5	\$2,041.00	\$10,205.00
16	November 10, 2009	March 22, 2010	4	\$1,724.00	\$6,896.00
17	September 24, 2009	April 6, 2010	6	\$781.00	\$4,686.00
18	October 21, 2009	March 29, 2010	5	\$1,193.00	\$5,965.00
19	September 10, 2009	March 30, 2010	6	\$1,177.00	\$7,062.00
20	October 14, 2009	March 30, 2010	5	\$2,244.00	\$11,220.00
21	September 14, 2009	March 29, 2010	6	\$1,064.00	\$6,384.00
22	November 5, 2009	April 2, 2010	4	\$1,798.00	\$7,192.00
23	September 10, 2009	January 27, 2010	4	\$1,306.00	\$5,224.00
24	October 14, 2009	March 24, 2010	5	\$411.00	\$2,055.00
25	September 23, 2009	April 5, 2010	6	\$1,441.00	\$8,646.00
26	November 13, 2009	March 29, 2010	4	\$1,270.00	\$5,080.00
27	October 21, 2009	March 25, 2010	5	\$1,488.00	\$7,440.00
28	September 25, 2009	April 9, 2010	6	\$1,217.00	\$7,302.00
29	September 23, 2009	January 26, 2010	4	\$1,383.00	\$5,532.00

Housing unit number	Authority inspection date	OIG inspection date	Period elapsed between Authority's inspection and OIG's inspection (in months) (a)	Monthly housing assistance payment (b)	Total (a) times (b)
30	September 30, 2009	January 26, 2010	3	\$934.00	\$2,802.00
31	November 6, 2009	March 24, 2010	4	\$1,662.00	\$6,648.00
32	October 5, 2009	January 26, 2010	3	\$1,418.00	\$4,254.00
33	September 14, 2009	January 28, 2010	4	\$399.00	\$1,596.00
34	September 15, 2009	January 26, 2010	4	\$1,457.00	\$5,828.00
35	November 6, 2009	April 6, 2010	5	\$1,660.00	\$8,300.00
36	September 2, 2009	March 24, 2010	6	\$811.00	\$4,866.00
37	October 5, 2009	March 22, 2010	5	\$1,010.00	\$5,050.00
38	September 23, 2009	January 28, 2010	4	\$1,887.00	\$7,548.00
39	September 15, 2009	January 26, 2010	4	\$836.00	\$3,344.00
40	September 15, 2009	January 28, 2010	4	\$1,495.00	\$5,980.00
41	September 14, 2009	March 30, 2010	6	\$1,181.00	\$7,086.00
42	October 6, 2009	March 23, 2010	5	\$954.00	\$4,770.00
43	November 6, 2009	January 28, 2010	2	\$1,212.00	\$2,424.00
44	October 7, 2009	March 23, 2010	5	\$928.00	\$4,640.00
45	October 21, 2009	January 28, 2010	3	\$1,972.00	\$5,916.00
46	November 2, 2009	January 28, 2010	2	\$993.00	\$1,986.00
Total					\$ 279,136.00

Appendix D

SCHEDULE OF CATEGORY OF DEFICIENCIES

Categories of deficiencies	Number of deficiencies	Number of housing units affected
Electrical hazards	108	45
Window condition	46	28
Water heater	31	21
Security	31	21
Smoke detectors	30	23
Safety of heating equipment	29	19
Garbage and debris	26	18
Stove or range with oven	22	14
Wall condition	18	13
Electricity	18	8
Other interior hazards	17	11
Ceiling condition	15	12
Condition of stairs, rail, and porches	13	9
Condition of exterior surfaces	12	8
Floor condition	11	8
Site and neighborhood conditions	11	6
Fire exits	8	5
Fixed wash basin or lavatory in unit	8	5
Interior air quality	8	5
Condition of roof/gutters	7	6
Plumbing	7	5
Tub or shower in unit	6	6
Ventilation/cooling	5	4
Sewer connection	5	4
Evidence of infestation	4	3
Refrigerator	3	3
Adequacy of heating equipment	3	3
Flush toilet in enclosed room in unit	3	3
Elevators	3	2
Other potentially hazardous features	3	1
Interior stairs and common halls	2	1
Sink	2	1
Living room present	1	1
Total	516	

Appendix E

SCHEDULE OF OIG INSPECTION RESULTS

Housing unit number	Total number of deficiencies	Total number of preexisting deficiencies	Was the housing unit materially deficient?	Did the housing unit pass or fail?	Was the inspection of the housing unit late?	Were there missing documents related to the housing unit?	Were the housing unit's data reliable?
1	44	41	Yes	Failed	?	Yes	No
2	38	29	Yes	Failed	?	Yes	No
3	30	27	Yes	Failed	?	Yes	No
4	30	24	Yes	Failed	?	Yes	No
5	22	16	Yes	Failed	No	No	Yes
6	28	14	Yes	Failed	No	No	Yes
7	18	13	Yes	Failed	?	Yes	No
8	21	11	Yes	Failed	Yes	No	Yes
9	13	11	Yes	Failed	?	Yes	No
10	13	9	Yes	Failed	?	Yes	No
11	11	9	Yes	Failed	?	Yes	No
12	10	8	Yes	Failed	?	Yes	No
13	14	7	Yes	Failed	No	No	Yes
14	13	7	Yes	Failed	?	Yes	No
15	9	7	Yes	Failed	?	Yes	No
16	8	7	Yes	Failed	No	No	Yes
17	7	7	Yes	Failed	?	Yes	No
18	15	5	Yes	Failed	?	Yes	No
19	9	5	Yes	Failed	Yes	No	Yes
20	8	5	Yes	Failed	?	Yes	No
21	6	5	Yes	Failed	?	Yes	No
22	6	5	Yes	Failed	No	No	Yes
23	6	5	Yes	Failed	No	No	Yes
24	8	4	Yes	Failed	Yes	No	Yes
25	7	4	Yes	Failed	No	No	Yes
26	7	4	Yes	Failed	?	Yes	No
27	4	4	Yes	Failed	Yes	No	Yes
28	4	4	Yes	Failed	No	No	Yes
29	4	4	Yes	Failed	Yes	No	Yes
30	4	4	Yes	Failed	?	Yes	No

Housing unit number	Total number of deficiencies	Total number of preexisting deficiencies	Was the housing unit materially deficient?	Did the housing unit pass or fail?	Was the inspection of the housing unit late?	Were there missing documents related to the housing unit?	Were the housing unit's data reliable?
31	9	3	Yes	Failed	No	No	Yes
32	9	3	Yes	Failed	?	Yes	No
33	6	3	Yes	Failed	Yes	No	Yes
34	4	3	Yes	Failed	?	Yes	No
35	3	3	Yes	Failed	?	Yes	No
36	3	3	Yes	Failed	Yes	No	Yes
37	3	3	Yes	Failed	?	Yes	No
38	3	3	Yes	Failed	No	No	Yes
39	5	2	Yes	Failed	No	No	Yes
40	5	2	Yes	Failed	No	No	Yes
41	3	2	Yes	Failed	?	Yes	No
42	2	2	Yes	Failed	?	Yes	No
43	8	1	Yes	Failed	Yes	No	Yes
44	1	1	Yes	Failed	?	Yes	No
45	1	1	Yes	Failed	No	No	Yes
46	1	1	Yes	Failed	No	No	Yes
47	7	2	No	Failed	No	No	Yes
48	5	2	No	Failed	Yes	No	Yes
49	4	2	No	Failed	?	Yes	No
50	3	1	No	Failed	?	Yes	No
51	2	1	No	Failed	?	Yes	No
52	2	1	No	Failed	?	Yes	No
53	1	1	No	Failed	Yes	No	Yes
54	1	1	No	Failed	Yes	No	Yes
55	3	0	No	Failed	No	No	Yes
56	2	0	No	Failed	?	Yes	No
57	2	0	No	Failed	No	No	No
58	1	0	No	Failed	Yes	No	Yes
59	0	0	No	Passed	?	Yes	No
60	0	0	No	Passed	No	No	Yes
61	0	0	No	Passed	Yes	No	Yes
62	0	0	No	Passed	?	Yes	No
63	0	0	No	Passed	No	No	Yes
64	0	0	No	Passed	No	No	Yes
65	0	0	No	Passed	No	No	Yes

Note:

- 7 of the 65 housing units passed OIG's inspection and were highlighted in orange.
- 46 of the 65 housing units failed OIG's inspection with material deficiencies and were highlighted in blue.
- 12 of the 65 housing units failed OIG's inspection without material deficiencies and were highlighted in white.
- 31 of the 65 housing units had missing inspection reports, resulting in OIG's being unable to determine whether the Authority conducted its housing quality standards inspection of the housing unit within HUD's required period of 1 year from the previous inspection. These housing units were denoted with "?". However, we considered seven of the housing units with unsupported inspection reports as unsupported questioned costs. The remaining 24 housing units were considered ineligible questioned costs due to their being materially deficient.

Overall summary of results	
Total deficiencies	516
Total deficiencies for materially deficient housing units	483
Total preexisting deficiencies	352
Total preexisting deficiencies for materially deficient housing units	341
Total number of failed housing units	58
Total number of materially deficient housing units	46
Total number of late inspections	13
Total number housing units with missing inspection reports	31
Total number of housing units with unreliable documents	32

Appendix F

SCHEDULE OF HOUSING UNITS WITH UNSUPPORTED INSPECTION REPORTS

Housing unit number	Authority inspection date	OIG inspection date	Period elapsed between Authority's inspection and OIG's inspection (in months) (a)	Monthly housing assistance payment (b)	Total (a) times (b)
49	9/4/2009	4/6/2010	7	\$1,117.00	\$7,819.00
50	9/10/2009	3/31/2010	6	\$1,118.00	\$6,708.00
51	11/13/2009	4/23/2010	5	\$857.00	\$4,285.00
52	10/6/2009	3/30/2010	5	\$852.00	\$4,260.00
56	9/22/2009	3/26/2010	6	\$1,116.00	\$6,696.00
59	10/21/2009	3/31/2010	5	\$520.00	\$2,600.00
62	10/14/2009	3/22/2010	5	\$1,330.00	\$6,650.00
Total					\$39,018.00

Appendix G

HOUSING QUALITY STANDARDS RULES AND REGULATIONS

The following sections of HUD rules and regulations were relevant to our review of the Authority's housing quality standards inspections of voucher-funded housing units.

Regulations at 24 CFR (Code of Federal Regulations) 982.158 state that program accounts and records require the housing authority to maintain "complete and accurate accounts and other records" for the Housing Choice Voucher program in accordance with HUD program requirements that would allow a speedy and effective audit.

Regulations at 24 CFR 982.305(a) state that the public housing authority may not give approval for the family of the assisted tenancy or approve a housing assistance contract until the authority has determined that the following requirements are met: (1) the housing unit is eligible, (2) the unit has been inspected by the housing authority and meets HUD's housing quality standards, and (3) the rent to the owner is reasonable.

Regulations at 24 CFR 982.401(a)(3) state that all program housing must meet the housing quality standards performance requirements both at commencement of assisted occupancy and throughout the assisted tenancy.

Regulations at 24 CFR 982.401(a)(4)(i) state that in addition to meeting housing quality standards performance requirements, the housing must meet the acceptability criteria stated in this section [a(4)] unless variations are approved by HUD.

Regulations at 24 CFR 982.404(a) state that (1) the owner must maintain the unit in accordance with housing quality standards; (2) if the owner fails to maintain the dwelling unit in accordance with housing quality standards, the housing authority must take prompt and vigorous action to enforce the owner obligations (remedies for such breach of the housing quality standards include termination, suspension or reduction of housing assistance payments, and termination of the housing assistance payments contract); and (3) the housing authority must not make any housing assistance payments for a dwelling unit that fails to meet the housing quality standards unless the owner corrects the defect within the period specified by the authority and the authority verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any authority-approved extension).

Consolidated Annual Contributions Contract

Paragraph 10(a), HUD Requirements, states that the housing authority must comply and must require owners to comply with the requirements of the U.S. Housing Act of 1937 and all HUD regulations and other requirements, including any amendments or changes in the law or HUD

requirements; paragraph 10(b) states that the housing authority must comply with its HUD-approved administrative plan and HUD-approved program funding applications; paragraph 10(c) states that the housing authority must use the program forms required by HUD; and paragraph 10(d) states that the housing authority must proceed expeditiously with the programs under this consolidated annual contributions contract.

Paragraph 11(a), Use of Program Receipts, states that the housing authority must use program receipts to provide decent, safe, and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1937 and all HUD requirements. Program receipts may only be used to pay program expenditures.

Paragraph 14, Program Records, states that (a) the housing authority must maintain complete and accurate books of account and records for a program. The books and records must be in accordance with HUD requirements and must permit a speedy and effective audit and (b) the housing authority must furnish HUD such financial and program reports, records, statements, and documents at such times, in such form, and accompanied by such supporting data as required by HUD.